400

Transportation

Budget function 400 covers programs that support a wide variety of transportation modes, including highways, public transit, aviation, railroads, and water transportation. Most of the funding is managed by the Department of Transportation and distributed as grants to state and local governments to help build transportation infrastructure. Funding for the Federal-Aid Highway program constitutes about half of the budgetary resources for function 400; other large programs include air traffic control and Coast Guard operations. Aeronautics research sponsored by the National Aeronautics and Space Administration also falls in this category. The most significant change to function 400 in recent years was the establishment in 2003 of the Transportation Security Administration, which is part of the Department of Homeland Security.

The Congressional Budget Office estimates that outlays for function 400 will total $68.2 billion in 2005. Most outlays in the function are considered discretionary. The amounts of discretionary budget authority are much smaller, however, because many transportation programs are funded by contract authority (a mandatory form of budget authority) provided in authorizing legislation. Spending of that contract authority is controlled each year by obligation limitations set in appropriation bills.

Spending under the transportation function has more than doubled since the early 1990s, largely because of substantial growth in outlays for the Federal-Aid Highway program. However, the authorization law for most surface transportation programs expired at the end of fiscal year 2003, leaving funding levels for those programs nearly flat for the past two years (under short-term extensions of their authorizations).

Federal Spending, Fiscal Years 2000 to 2005 (Billions of dollars)

							Average Annual Rate of Growth (Percent)	
	2000	2001	2002	2003	2004	Estimate 2005	2000-2004	2004-2005
Budget Authority (Discretionary)	15.2	19.7	23.4	26.6	23.6	25.3	11.6	7.4
Obligation Limitations	34.9	38.3	41.1	41.3	43.8	45.3	5.9	3.4
Outlays								
Discretionary	44.7	50.1	57.3	64.2	62.8	66.0	8.8	5.2
Mandatory	2.1	4.3	4.6	2.9	1.8	2.2	-3.3	19.2
Total	46.9	54.4	61.8	67.1	64.6	68.2	8.4	5.6

400-01—Discretionary

Reduce Federal Subsidies for Amtrak

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-250	-250	-250	-250	-250	-1,250	-2,500
Outlays	-250	-250	-250	-250	-250	-1,250	-2,500

When the Congress established the National Railroad Passenger Corporation—commonly known as Amtrak—in 1970, it anticipated providing subsidies for only a limited time until the railroad became self-supporting. After more than a quarter century of federal subsidies, lawmakers in 1997 enacted the Amtrak Reform and Accountability Act, which directed the railroad to take a more businesslike approach to operations so that it would not need federal subsidies after December 2002. For several years after that law was enacted, Amtrak reported to the Congress that it was on a "glide path" toward achieving operational self-sufficiency by the deadline. In the spring of 2002, however, it announced that it could not meet the deadline and that the goal of self-sufficiency was—and always had been—unrealistic. Amtrak has continued to receive federal subsidies, although the authorization for them expired at the end of 2002. (Citing the lack of an authorization, the President's 2006 budget proposes to eliminate funding for the railroad.)

This option would reduce federal subsidies for Amtrak by the amount currently needed to support train operations on the routes that lose the most money. According to data from Amtrak's Route Profitability System, the five trains that lost the most money have accounted for losses of about $250 million annually in recent years. Cutting that amount from Amtrak's subsidies each year would save more than $1.2 billion over the 2006-2010 period.

Proponents of this option generally favor having Amtrak act more like a business. They argue that it should cut service on routes that attract so few riders that trains operate at a large loss and should focus instead on routes for which demand is greater. If passenger revenues were not sufficient to cover the costs of operating a train but states valued the service, they could provide additional subsidies. Otherwise, travelers could use buses, airplanes, or cars to reach their destinations.

Opponents of this option generally regard Amtrak as a public service that should be available on a nationwide basis without regard to cost. They contend that passengers on lightly traveled routes have few transportation alternatives and that Amtrak is vital to the survival of small communities along those routes. Moreover, they say, improving service throughout the system could attract more passengers and make rail transportation more viable economically.

RELATED OPTIONS: 400-02, 400-03, 400-06, and 400-07

RELATED CBO PUBLICATIONS: *The Past and Future of U.S. Passenger Rail Service*, September 2003; and *A Financial Analysis of H.R. 2329, the High-Speed Rail Investment Act of 2001*, September 2001

400-02—Discretionary

Eliminate the Next Generation High-Speed Rail Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-20	-21	-21	-21	-22	-105	-220
Outlays	-3	-5	-9	-15	-21	-52	-162

The Next Generation High-Speed Rail Technology Demonstration Program, established by the Swift Rail Development Act of 1994, funds research intended to facilitate high-speed passenger rail transportation in the United States. (High-speed rail is defined as a system in which trains travel faster than 125 miles per hour.) The program's research focuses on designing and testing various technologies, such as signal and control systems to help railways carry a mix of high-speed passenger, commuter, and freight trains while minimizing the risk of collisions; high-speed nonelectric locomotives; barriers and warning systems to make grade crossings safe for faster trains; and improvements to tracks and other infrastructure that would permit shared use by heavy freight trains and high-speed passenger trains. The program also funds efforts to plan corridors for high-speed rail.

This option would terminate funding for the Next Generation program, reducing federal outlays by $52 million over the 2006-2010 period. (The President's 2006 budget does not request any funding for the program.)

The Next Generation program was launched at a time of optimism about the prospects for U.S. high-speed passenger rail service. In the past decade, however, several high-speed rail initiatives have faltered because financial support for the economically risky ventures has not materialized. Although several states are proceeding with passenger rail projects, their focus has shifted from high-speed rail to more modest "higher-speed" rail (in which trains travel at 79 to 110 miles per hour) and to methods for reducing trip times without increasing trains' top speeds.

The primary rationale for ending the Next Generation program is that such a shift in focus has altered research needs. Incremental improvements in travel times can be gained, for example, from investments in existing passenger rail systems that make infrastructure and rolling stock (train cars and engines) more reliable and service more frequent. A second rationale is that some countries that rely on rail for passenger transportation continue to conduct research on high-speed technologies. If that knowledge is ever needed in the United States, importing it may be more cost-effective than developing it domestically.

Several arguments exist for retaining the Next Generation program. Some components of the current program—such as research into diesel-powered higher-speed trains and research to make grade crossings safer—could provide benefits for states' incremental higher-speed rail projects. (Diesel is likely to be the most cost-effective power source for passenger trains outside the Northeast Corridor, which are likely to continue to operate for the foreseeable future on nonelectrified tracks owned and used by freight railroads rather than on their own tracks.) Another area of research with potential payoffs for both commuter and intercity passenger rail service would be how most efficiently to accommodate multiple users with differing needs. In addition, because several states are interested in developing higher-speed passenger rail service, a program coordinated at the federal level could avoid duplication of effort and increase effectiveness, especially if states and regional rail authorities actively participated in it.

RELATED OPTIONS: 400-1 and 400-03

RELATED CBO PUBLICATION: *The Past and Future of U.S. Passenger Rail Service*, September 2003

400-03

Impose a User Fee to Help Fund the Federal Railroad Administration's Rail-Safety Activities

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	0	+45	+92	+94	+96	+326	+834

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The Federal Railroad Administration (FRA) conducts a variety of activities to protect railroad employees and the public by ensuring the safe operation of passenger and freight trains. It issues standards, procedures, and regulations; administers drug testing of railroad employees after accidents and at random times; provides technical training to railroad workers; and manages highway grade-crossing projects. In addition, the FRA's field safety inspectors are responsible for enforcing federal safety regulations and standards.

This option would impose user fees on railroads to partially offset the costs of the FRA's rail-safety activities. Receipts from those fees would total $326 million over the next five years.

The main rationale for such user fees is that they would relieve federal taxpayers of some of the burden of funding the FRA's rail-safety activities. Such fees have existed before. The Omnibus Budget Reconciliation Act of 1990 required railroads to pay fees to cover the administrative and safety-enforcement costs of carrying out the FRA's mandated safety activities. Those fees expired in 1995.

An argument against reinstating user fees is that the general public is the main beneficiary of the FRA's rail-safety activities. Moreover, charging for the cost of regulating safety might divert funds from railroads' efforts to improve safety themselves.

RELATED OPTIONS: 300-01, 300-02, 300-03, 370-03, 400-01, 400-02, 400-08, 400-09, and 400-10

400-04—Discretionary and Mandatory

Eliminate the "New Starts" Transit Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-1,204	-1,207	-1,211	-1,214	-1,218	-6,055	-12,200
Outlays	-202	-609	-888	-1,105	-1,286	-4,090	-11,365

Note: Budget authority includes mandatory contract authority. That contract authority is subject to obligation limitations set in appropriation acts; therefore, all outlays are considered discretionary. Beginning in 2010, estimates of outlays exceed projected budget authority because baseline practices for obligation limitations differ from those for contract authority.

Under the "New Starts" program, the Department of Transportation provides funding to build new rail and other "fixed-guideway" systems and to extend existing systems. As defined by the program, fixed-guideway systems are ones that employ a separate right-of-way or rail line for the exclusive use of mass transportation. For 2005, the program received appropriations of $1.4 billion.

This option would eliminate the New Starts program, saving $202 million in 2006 and $4.1 billion over the next five years. The budgetary treatment of the program is complex. Part of its budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary. The rest of the program's budget authority is provided in appropriation acts and is considered discretionary. Under this option, discretionary budget authority, contract authority, and obligation limitations for the New Starts program would all be reduced.

One rationale for ending the program is that new rail transit systems tend to provide less value per dollar spent than bus systems do. Bus systems require much less capital, and they are more flexible in their ability to adjust schedules and routes to meet changing needs. Moreover, supporters of eliminating the program contend that letting the federal government dictate how communities should spend federal aid for transit is inappropriate and inefficient because local officials know their needs and priorities better than federal officials do. In addition, even without the New Starts program, state and local governments could still use federal aid distributed by formula grants for new rail projects. In 2004, the federal government provided $3.8 billion in formula funding for a wide variety of transit projects.

An argument in favor of the New Starts program is that it seeks to identify the most promising rail transit projects from a long list of candidates. Supporters of rail transit contend that building additional roads does not solve the problems of urban congestion and pollution but only leads to greater decentralization and sprawl. New rail transit systems, in contrast, can help channel future development into corridors where public transportation is available, as companies and residential developers locate where they can attract employees by offering easy and reliable access to the workplace.

400-05—Discretionary and Mandatory

Reduce Federal Aid for Highways

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-13,720	-13,939	-14,199	-14,458	-14,719	-71,035	-148,775
Outlays	-3,704	-9,526	-12,020	-13,060	-13,845	-52,156	-127,814

Note: Budget authority includes mandatory contract authority. That contract authority is subject to obligation limitations set in appropriation acts; therefore, all outlays are considered discretionary.

The Federal-Aid Highway Program provides grants to states for highways and other surface transportation projects. When the Congress last reauthorized the program in 1998, it substantially increased highway funding from the levels provided in the previous authorization period. Funding for the Federal-Aid Highway Program is provided in the form of contract authority, a type of mandatory budget authority. However, most spending from the program is controlled by annual limits on obligations set in appropriation acts. Over the 1992-1997 period, those obligation limitations averaged $17 billion per year; over the 1998-2003 period, they averaged $28 billion.

This option would reduce spending for highways by lowering the obligation limitation for the Federal-Aid Highway Program in 2006 to $21 billion—the level set in 1997, adjusted for inflation. That cut would decrease budgetary resources for the program by almost 40 percent annually over the next 10 years. This option would also reduce contract authority for the program by a commensurate amount each year. Those changes would lower outlays by $3.7 billion in 2006 and $52.2 billion through 2010. (In the budget, revenues from the federal gasoline tax are credited to the Highway Trust Fund to finance highway programs; this option would have no effect on gasoline tax rates.)

Besides reducing federal spending, another rationale for this option is that it would shift more of the cost of building and maintaining highways to state and local governments. Some highway analysts argue that decisions about highway spending can be made more effectively at the state and local level—where most of the benefits accrue—than at the federal level. Moreover, federal highway spending can displace spending by state and local governments and, in some cases, by the private sector. The Government Accountability Office recently found that the existence of federal grants has tended to cause state and local governments to reduce their own spending on highways and shift those funds to other purposes. Further, federal funding allocations are not always directed toward the uses with the greatest net benefits.

An argument against this option is that the nation may need additional highway capacity to meet the demand caused by growing levels of economic activity. Many state and local governments have encountered budgetary pressures in recent years—exacerbated by the growing costs of such programs as Medicaid—and may not be able to provide more spending for highways. In addition, some analysts argue that the federal government has a responsibility to pay for maintaining an adequate highway system to facilitate interstate commerce and to ensure certain standards for the safety and quality of roads throughout the country.

RELATED CBO PUBLICATIONS: *The Economic Effects of Federal Spending on Infrastructure and Other Investments*, June 1998; and *Innovative Financing of Highways: An Analysis of Proposals*, January 1998

400-06—Discretionary and Mandatory

Eliminate the Essential Air Service Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-103	-104	-105	-106	-107	-525	-1,075
Outlays	-82	-104	-105	-106	-107	-504	-1,054

The Essential Air Service program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated service before deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria (such as being at least 70 miles from a large or medium-sized hub airport, except in Alaska and Hawaii). Those subsidies support air service to about 130 U.S. communities, including about 30 in Alaska, for which separate rules apply. The number of passengers served annually has fluctuated in recent years, as has the subsidy per passenger, which has ranged from about $5 to $500. The Congress has directed that such subsidies not exceed $200 per passenger unless the community is more than 210 miles from the nearest large or medium-sized hub airport.

This option would eliminate the Essential Air Service program, reducing outlays by $82 million in 2006 and $504 million over five years. (The President's 2006 budget proposes to restructure the program.)

The rationale for this option is the high cost per passenger of providing subsidized air transportation through the Essential Air Service program. The program was intended to be transitional, giving communities and airlines time to adjust to deregulation, more than a quarter of a century ago. If states or communities derive benefits from air service to small communities, they could provide the subsidies themselves.

Supporters of the current program argue that it prevents the isolation of rural communities that would not otherwise receive air service. They maintain that because the availability of airline transportation is an important ingredient in the economic development of small communities, some towns might lose a sizable portion of their economic base without it.

RELATED OPTIONS: 400-01, 400-07, 400-09, and 400-10

400-07—Discretionary and Mandatory

Eliminate Grants to Large and Medium-Sized Hub Airports

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-1,440	-1,480	-1,480	-1,480	-1,480	-7,360	-14,760
Outlays	-245	-856	-1,190	-1,343	-1,419	-5,053	-12,451

Note: Budget authority is mandatory. Outlays are discretionary.

Under the Airport Improvement Program (AIP), the Federal Aviation Administration provides grants to airports to expand runways, improve safety and security, and make other capital investments. Between 1982 and 2004, about 40 percent of the program's funding went to large and medium-sized hub airports—the 70 or so airports that together account for nearly 90 percent of passenger boardings.

This option would eliminate the AIP's funding for large and medium-sized hub airports but would continue grants to smaller airports at levels consistent with those of 2004. In that year, smaller airports received about 60 percent of the $3.4 billion made available, or about $2 billion. Retaining only that part of the program would reduce federal outlays by $245 million in 2006 and nearly $5.1 billion over the 2006-2010 period.

Funding for the AIP is subject to distinctive budgetary treatment. The program's budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary.

The main argument for this option is that federal grants simply substitute for funds that larger airports could raise from private sources. Because those airports serve many passengers, they have generally been able to finance investments through bond issues as well as through passenger facility charges and other user fees. Smaller airports may have more difficulty raising funds for capital improvements, although some have been successful in tapping the same sources of funding as their larger counterparts. By eliminating grants to larger airports, this option would focus federal spending on airports that appear to have the fewest alternative sources of funding.

An argument against ending federal grants to large and medium-sized airports is that the grants could allow the Federal Aviation Administration to retain greater control over those airports by imposing conditions of aid. Such conditions could help ensure that the airports continued to make investment and operating decisions that would promote a safe and efficient aviation system.

RELATED OPTIONS: 400-01, 400-06, and 400-09

RELATED CBO PUBLICATION: *Financing Small Commercial-Service Airports: Federal Policies and Options*, April 1999

400-08

Increase Fees for Certificates and Registrations Issued by the Federal Aviation Administration

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+5	+5	+5	+5	+5	+25	+54

Note: The fees could be classified as discretionary offsetting collections or as mandatory offsetting receipts, depending on the specific language of the legislation establishing them.

The Federal Aviation Administration (FAA) runs a large regulatory program to ensure safe air travel. It oversees and regulates the registration of aircraft, the licensing of pilots, the issuance of medical certificates, and other, similar activities. The FAA issues most licenses and certificates free of charge or at prices well below its costs. For example, the current fee to register an aircraft is $5, but the FAA's cost to provide that service is closer to $30. Pilots' certificates are issued free of charge, although the FAA estimates the cost of issuing them at $10 to $15 apiece.

This option would increase or impose fees to cover the costs of the FAA's regulatory services. That change could increase receipts by $25 million over the 2006-2010 period. Net receipts would be somewhat smaller if the FAA needed additional resources to establish and administer the fees.

Under the Drug Enforcement Assistance Act of 1988, the FAA is authorized to impose several registration fees as long as they do not exceed the agency's costs of providing the services. For general aviation, that law allows fees of up to $25 for aircraft registration and up to $12 for pilots' certificates (plus adjustments for inflation). Setting higher fees would require additional legislation.

The primary rationale for this option is that it would recover the FAA's costs of issuing certificates and licenses while charging users relatively modest amounts—especially compared with the total cost of owning an airplane. The charges would be analogous to the fees that people pay to register automobiles or get drivers' licenses.

A drawback of this option is that higher regulatory fees might impose a burden on some aircraft owners and operators. That effect could be lessened by setting registration fees according to the size or value of an aircraft rather than on the basis of the FAA's costs.

RELATED OPTIONS: 300-01, 300-02, 300-03, 370-03, 400-03, 400-09, and 400-10

400-09

Establish Cost-Based Fees for Air Traffic Control Services

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+2,000	+2,000	+2,000	+2,000	+2,000	+10,000	+20,000

Note: The fees could be classified as discretionary offsetting collections or as mandatory offsetting receipts, depending on the specific language of the legislation establishing them.

The Federal Aviation Administration (FAA) operates the nation's air traffic control (ATC) system, which serves commercial air carriers, the military, and smaller users, such as air taxis and operators of private corporate and recreational aircraft. Traffic controllers in airport towers, terminal radar approach control facilities (TRACONs), and air route traffic control centers (ARTCCs) help guide aircraft safely as they taxi to the runway, take off, fly through designated airspace, land, and taxi to the airport gate. The ATC system also includes flight service stations that provide weather data and other information useful to operators of small aircraft.

This option would charge fees for air traffic control services that reflect the FAA's marginal costs of providing the services. The marginal costs of a flight equal the costs of every ATC service (or contact) provided for that flight. For example, a commercial flight from New York to San Francisco entails contacts with two airport towers, two TRACONs, and seven ARTCCs. Under this option, the airline would pay the sum of the marginal costs of those contacts. An FAA study estimated that such costs for all airlines operating in the United States total about $2 billion per year.

Fees based on marginal costs would affect various types of airline operations differently. Carriers mainly using hub-and-spoke networks would probably face higher fees than those providing nonstop origin-to-destination flights because of differences in the number of contacts with towers, TRACONs, and ARTCCs.

The advantage of this option is that charging fees for marginal costs would encourage efficient use of the ATC system. Noncommercial operators might reduce their use of ATC services, freeing controllers for other tasks and increasing the system's overall capacity. By analyzing the pattern of revenues from user fees, FAA planners could better decide on the amount and location of additional investments in the ATC system, which would make it more efficient.

The disadvantage of this option is that it would raise the cost of ATC services to users, which could weaken the financial condition of some commercial air carriers. The airlines might be able to pass most of the cost increase on to their customers, but that would be likely to reduce the demand for air travel.

RELATED OPTIONS: 300-01, 300-02, 300-03, 370-03, 400-03, 400-06, 400-08, and 400-10

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

400-10—Discretionary and Mandatory

Increase Fees for Aviation Security

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+3,000	+3,000	+3,000	+3,000	+3,000	+15,000	+30,000

The terrorist attacks of September 11, 2001, led to increased security measures at the nation's transportation facilities. One of the most sweeping changes resulted from the Aviation and Transportation Security Act of 2001, which made the federal government, rather than airlines and airports, responsible for screening airline passengers, carry-on luggage, and checked baggage. The new standards for screening have raised federal costs by requiring a larger number of screeners with higher qualifications, thus necessitating higher compensation.

To help pay for increased security, the law authorized airlines to charge passengers a fee of $2.50 each time they board a plane, capped at $5 for a one-way trip. (The President's 2006 budget proposes to raise those amounts to $5.50 and $8, respectively.) The 2001 law also authorized fees on the airlines themselves as well as funding to reimburse airport operators, service providers, and airlines for their additional costs for security enhancements. The Congressional Budget Office expects that the Transportation Security Administration will collect about $2.4 billion from the fees in 2006—less than half of the estimated $5.4 billion increase in federal costs that year resulting from the law.

This option would increase user fees so that they fully covered the costs to the federal government of the added security measures. Doing that would boost collections (and thus reduce net spending) by $3 billion in 2006 and $15 billion through 2010. Under standard budgetary treatment, such collections would be classified as revenues, but because the Aviation and Transportation Security Act requires that revenues from the existing fees be recorded as offsets to federal spending, this option would treat the additional fees the same way.

The arguments both for and against fully funding federal aviation-security measures through user fees rest on the principle that the beneficiaries of a publicly provided service should pay for it. The difference lies in who is seen as benefiting from those measures. The argument for this option is that the primary beneficiaries of greater transportation security are the users of the system. Security is a cost of airline transportation, in the same way that fuel and labor costs are. The current situation, in which those costs are covered partly by taxpayers in general and partly by users of the aviation system, provides a subsidy to air transportation.

Conversely, the argument against higher user fees is that the public in general—not just air travelers—benefits from improved airport security. To the extent that greater security reduces the risk of terrorist attacks, the entire population is better off. That argument suggests that the federal government should fund the enhanced transportation-security measures without collecting additional funds directly from the airline industry or its customers.

RELATED OPTIONS: 300-01, 300-02, 300-03, 370-03, 400-03, 400-06, 400-08, and 400-09